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- 2 -

II. Loss of strongly reinforced Dien Bien Phu would have a devastating effect on French prestige in Indochina and possibly on French-Vietnamese troop morale.

A. Elimination of the garrison would more than offset the reinforcements totaling 9 battalions that Navarre has obtained from France and North Africa.

B. Little doubt that Viet Minh could take the French strongpoint if willing to pay the cost.

III. Plenty of indications that Viet Minh are aiming at Dien Bien Phu, but it still might by-pass it and invade northern Laos, taking the important French base of Xieng Khouang, and the royal capital of Luang Prabang.

A. Meanwhile, French report they have made first important contact with VM invasion force in Central Laos; claim to have routed Viet Minh troops in approximately battalion strength 30 miles north of Seno.

1. Main enemy force of six battalions in Thakhek area probably no real threat to French at Savannakhet, now raised to 13 battalions by airlift of five paratroop battalions from delta.

2. French hope shortly to eliminate the force and reopen surface communication to northern Laos.

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3 -

IV. Present Viet Minh strategy apparently designed to force dispersal of French reserves.

A. Hurried dispatch by French of 5 battalions to Savannakhet as well as reinforcement of Dien Bien Phu proof it meeting with success.

B. Dispersal of large part of French reserves leaves Viet Minh base areas near delta immune to attacks Navarre had planned.

V. On political side, Bao Dai recently ordered formation of a new cabinet, replacing that of Nguyen Van Tam.

A. Buu Loc, prince of imperial family and cousin of Bao Dai designated to form government but is encountering difficulties in getting support of important political groups. Phan Huy Quat, present Defense Minister, will probably be asked to form government if Buu Loc fails.

B. Outgoing premier Tam had pro-French reputation and was appointed by Bao Dai year and a half ago when Bao Dai believed it essential to appoint man who could inspire French confidence.

C. New premier will be man who can deal diplomatically with the French but one who, unlike all earlier premiers, is not French citizen and has no record of yielding to French pressure.

D. Moreover, both candidates are from Annam, signifying shift toward genuinely national figure rather than front man from Cochinchina landowning and commercial interests as in past.

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- 4 -

- E. Shift is phase of Bao Dai's strategy of setting up progressively more nationalistic governments but not so strongly nationalistic as to upset delicate French-Vietnamese relationship or to pose threat to Bao Dai's personal position.
- F. Not likely any new government would seriously consider negotiations with Ho Chi Minh, although there are rumors Buu Loc is prepared to do so.

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